

# RESEARCH HIGHLIGHT

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Socio-economic Series 05-019

## SOCIAL HOUSING IN THE CONTEXT OF RURAL DEPOPULATION

### INTRODUCTION

This study examined the issue of chronic vacancies in social housing properties in rural areas of Canada where there has been significant depopulation. The four specific objectives were:

- to describe the context of social, economic, and demographic change in rural Canada;
- to summarize what is known about the extent or size of the social housing chronic vacancy problem in rural Canada, including an assessment of the financial impact of these vacancies;
- to describe the underlying causes of and issues associated with chronic vacancies in this stock; and
- to examine strategies that have been employed or considered to address the problem.

This issue is important for several reasons. First, there has been significant capital investment in the construction and maintenance of social housing in rural Canada. Chronic vacancies reduce the revenue stream and impact on the ability to cover costs and properly manage and maintain the properties. Second, there are chronic vacancies in some rural areas while there are waiting lists for social housing in most urban centres of the country. This is a signal that social housing built in some communities may no longer be needed in those locations. Third, private non-profit housing operating agreements will be coming to an end in the coming years and the long term financial viability of some of these projects with chronic vacancies may be in question. Fourth, social housing is an important contributor to the local tax base in many small towns and rural areas. Social housing provides options that might not be available through the private sector and is a visible

presence of government investment in the community. When these properties are vacant, there can be a spillover effect into the broader community.

### METHODOLOGY

Three separate activities were completed: a literature review; key informant interviews with one or more representatives of each provincial department or agency responsible for the social housing portfolio; and interviews with a representative from a selection of "case study" social housing properties. Five case study "regions" (where there were concentrations of chronic social housing vacancies) were identified. Within each region up to five properties were identified for an interview. The properties were selected to ensure some diversity in client types (seniors versus family), size of the properties (number and size of units) and type of social housing provider.

### FINDINGS

The literature identified a number of contextual issues affecting social housing in rural communities: changing demographics, population mobility, changes in health service delivery and economic decline. In communities located in non-metropolitan regions, there is a long term trend of out-migration and population decline. In communities located adjacent to metropolitan areas, there is net population growth and some in-migration of seniors in search of better access to health care and other services. Some provinces are experiencing widespread population decline in most rural communities regardless of geography (Newfoundland and Labrador, Saskatchewan, and Manitoba). There is an aging of our population as a



whole, and the housing we have built - social and private - may not necessarily meet the needs of this population now and into the future. Most provincial governments have rationalized and regionalized services in larger towns and cities in an effort to provide efficient and cost-effective delivery. This makes it more difficult for the aging population who remain in small rural centres to access the services they require. These combined effects are most pronounced in the smallest and more rural communities. Overall, these factors place great pressure on social housing providers to keep their units full in the face of falling demand.

### **Chronic Vacancies in Social Housing**

Most provinces do not keep statistics on chronic vacancies and most do not have a formal definition for the situation. Chronic vacancies are defined differently in those provinces which have investigated this problem, including:

- Saskatchewan - vacant for six or more months;
- Manitoba - vacant for three or more months;
- Québec - vacant for more than four months;
- Nova Scotia - vacant and no one on the waiting list to move in;
- Newfoundland and Labrador - vacant for at least 12 months.

Manitoba and Saskatchewan have collected detailed (chronic) vacancy data for several years. Some provinces have partial information about this problem. In Québec, Newfoundland and Labrador, Nova Scotia, and New Brunswick, they track vacancies in the public housing stock, but not in the private non-profit and cooperative stock. In Ontario, there is no province-wide tracking of this information because there has been devolution to the local level with minimal reporting requirements.

Despite the limited information and the lack of comparable data from one province to the next, there are some patterns to the chronic vacancy problem. The common pattern in those provinces where there are chronic vacancies is that they are almost exclusively in rural regions of those provinces.

According to the interviews, some properties built under public housing programs have chronic vacancy problems - in family units in some provinces (e.g., Newfoundland and Labrador, New Brunswick, Manitoba, and British Columbia) and seniors units in others (e.g., Nova Scotia, Manitoba, and Saskatchewan). There appear to be fewer examples or concerns in the private non-profit sector, and these problems seem to be restricted to New Brunswick and Manitoba.

The problems in family units seem to occur especially in those rural regions and communities dependent on the primary resource sector, and where economic decline has led to labour force migration. The problem in seniors projects can be found where an aging population has been migrating to larger centres to obtain better access to shopping and medical services, or where there may be better selection of units (private or social) that meet their aging-in-place needs.

Chronic vacancies also vary by unit size. Manitoba and British Columbia report chronic vacancies in bachelor units. Seniors one-bedroom units are problems in Nova Scotia, Manitoba and Saskatchewan. Family three-bedroom units were identified as a problem in Newfoundland and Labrador. Most provinces reported that the smallest properties (less than 25 units) were more likely to experience chronic vacancy problems.

### **Financial Impact of Chronic Vacancies**

There is very little information about the full financial impacts of the chronic vacancies because most provinces (except for Manitoba and Saskatchewan) have not quantified them. In the direct delivery portfolio (the public housing stock), the provinces make annual allocations for replacements and repairs, so funds are spent whether the units are full or not. In the private non-profit and cooperative portfolios, anecdotal evidence suggests that for some properties some routine maintenance is deferred and replacement reserves are being drawn down or not replaced. Provinces have simply “absorbed the financial losses” or have contributed additional one-time capital to a property to help it get back on its feet (through refurbishing, renovation, or conversion of units to different sizes and layouts).

### **Causes of Chronic Vacancies in Social Housing**

Rural depopulation is an overriding, but not sole, cause of chronic vacancies. This is conditioned by the nature of macro level causes, community and regional causes, and property-specific causes. There were many common causes identified in most provinces which contributed to chronic vacancies, but within each province there were different combinations of causes and effects.



### **Macro Level Causes: “The Big Picture Effect”**

These causes are beyond the control of individual properties and the groups which own or manage them. They are big picture trends, policies, programs, and societal shifts which have an impact on communities and individual properties. Some of these directly result in chronic vacancies in rural social housing, while others have an indirect impact because they first contribute to rural depopulation. Examples of these causes include:

- aging population (fewer families);
- more smaller households;
- increase in the number of non-elderly singles in need;
- Housing Income Limits are lower than income of applicants;
- programs, acts, and regulations (e.g., Ontario Social Housing Reform Act permits an applicant to decline 3 RGI units; no “overhousing” permitted);
- increased incidence of aging in place;
- changing consumer preferences and an increase in housing options (housing with amenities and aging-in-place features; more tenure options such as life leases, condominiums, etc.)

### **Community / Region Causes: “The Rural Depopulation Effect”**

These causes are also beyond the control of individual properties and the groups which own or manage them. Some communities and regions may be able to address some of the causes, such as imperfections in the marketplace or the problems of access to services. In other cases, there may be little that can be done, especially if, for example, the decline in the local economy (especially in the primary resource industries) is beyond local control (e.g., depletion of the resource or outside ownership of the business or industry). Examples of these causes include:

In non metro-adjacent rural communities and regions:

- current out-migration of population in all age cohorts;
- fewer people 45-64 years of age because of previous out-migration patterns;
- loss of kin and family supports;
- loss of social, health, and retail services; population moves closer to these services in more urban places;
- declining economic performance or closure of primary resource industries;

In metro-adjacent rural communities and regions:

- better housing choice;
- more amenities and services;

Oversupply of rental and social housing in some markets;

Local/regional housing market dynamics:

- re-sale of homes occupied by seniors may be difficult (less likely to move to seniors’ housing);
- other housing forms such as “illegal” suites may divert potential clients.

### **Property / Project Causes: “The Site-Specific Effect”**

Most of these causes are local in nature and the groups which own or manage the properties may have some ability or capacity to resolve them. However, the strategies adopted to address specific property-related causes must be considered in the context of the community and macro level causes as well. Examples of these causes include:

- obsolescence of units: age of units; size of units (bachelor and one-bedroom in less demand);
- poor location of property in community relative to services and other housing options;
- lack of on-site amenities (e.g., washer/dryer, recreation, common space, accessibility features);
- poor maintenance and upkeep;
- poor reputation of property;
- poor management practices;
- existing client mix may not be desirable among potential new clients (e.g., mixed incomes vs RGI only);
- structures converted from other uses may be less desirable (e.g., design, look, unit size, amenities, etc.) or not easily modified or rehabilitated.

### **Strategies and Solutions**

In all provinces there is a genuine interest in and concern for keeping all of their social housing units within the social housing portfolio. Removing the units from the portfolio (through sale, abandonment, conversion, or demolition) is seen as an absolute last resort. The identification and implementation of strategies and solutions to the chronic vacancy problem are complex and unique to individual properties and communities. There is a need for flexibility in responding to and working with individual cases of chronic vacancies. The development of solutions begins with a detailed assessment of the root causes of the problem.



Solutions cannot necessarily be implemented in isolation. A multi-pronged approach is needed. For example, converting some existing bachelor units into one-bedroom units may, at first glance, appear to be a useful solution to attract more seniors interested in larger units, but it may also be necessary to lower the age of eligibility, or permit renting to non-elderly singles, in order to expand the potential list of eligible renters.

### **Portfolio Solutions**

The range of portfolio-related solutions is largely in the hands of government departments and agencies responsible for social housing. The solutions identified in some of the provinces required higher level decision-making to develop changes or exemptions to existing policies and programs. These changes have facilitated greater flexibility in how the total portfolio is responding to changing conditions. In other cases, exemptions are provided at the portfolio management level (usually at the regional/district office) to individual properties to accept tenants outside of the original criteria. There have been very few cases where social housing units have been sold to the private sector. Potential solutions include:

- move units (modular, single detached);
- demolish units;
- sell units to private sector;
- change criteria for entry (permit sharing among households; lower age levels; higher income thresholds; widen geographic “region” for accepting applications);
- trade social housing units in problem area for rent supplements in higher demand areas.

### **Market-based Solutions**

These types of solutions may be initiated by either the province/portfolio manager, or by groups or communities at the local level. They usually focus on short-term solutions to fill chronic vacancies, to generate revenue. This “buys time” for the development of longer-term solutions. The short-term nature of these solutions must be underlined. Examples include:

- rent to other social housing client groups (e.g., families in seniors housing; non-elderly singles in seniors housing);
- rent to others at full market rents (e.g., families, tourists, seasonal workers);

- offer “all-inclusive” package of services in rent (e.g., basic phone, cable);
- new advertising and marketing approaches (e.g., through churches, others).

### **Community-based Solutions**

These solutions are largely initiated by the community or non-profit groups themselves. This occurs when there is a recognition of the problem and a desire to be creative about solutions. It may include attempts to develop a wider community dialogue about the problem. On a short- or long-term basis, a decision may be made to use some of the vacant units for purposes other than housing. This has the advantage of giving the property a larger sense of purpose, providing a reason for current occupants to remain, and generating demand for vacant units. Examples include:

- use vacancies for non-housing uses (e.g., doctor’s office, clinic, meeting room, community policing, family resource centre, food bank);
- add new non-housing activities on-site (e.g., medical services);
- expand/renovate to include assisted living units, nursing care units.

### **Design Solutions**

These solutions focus on the specifics of the property itself. The solutions may be suggested by the provincial government or by the group which owns the building. The focus is on making the units more attractive to potential clients, or significantly rehabilitating the property so that the size and types of units better meet the needs of the changing clientele. In many cases, the design solution(s) are selected after a careful process of fully investigating the cause(s) of the chronic vacancy problem, determining the viability of making changes, and identifying their costs. Examples include:

- convert to larger or smaller unit sizes to respond to demand;
- convert to accessible units or add accessibility features;
- add amenities on site (recreation, meeting space, gardens, patios, decks);
- invest in modernization and rehabilitation (paint, carpet, appliances).



## Limitations / Barriers to Implementing Solutions

There were a number of common limitations and barriers to implementing solutions:

- the cost factor: one property in New Brunswick was upgraded at a cost of \$8,000 per unit (funded by the province), while the costs of moving units in Saskatchewan was \$40,000 per unit;
- the size of units: in seniors properties attempting to rent units to families may not work if the units are only one-bedroom, or if there is resistance from the seniors themselves;
- the higher incomes among seniors today: many potential applicants are now above the local Housing Income Limits;
- aging in place: more seniors are staying in their own home longer because home care provides support services that were not available 10 to 15 years ago and this delays entry into independent living public housing units;
- potential tenants are much more selective today; people on waiting lists may choose to wait for a vacancy in a preferred property rather than accept a unit in a less desirable property;
- the obsolescence of some units: small unit sizes and few amenities on-site in seniors properties mean people are less interested in living in them even if the rents were lower;
- low market value in rural areas, relative to the book value or investment in the property, may be a barrier to selling;
- concern about flooding the local or regional rental market with additional housing units through the sale of social housing units may be a problem;
- for pre-1986 private non-profit properties, there may be a limited number of potential renter households in the local market, including very few willing and able to pay low end market rents in a mixed income property;
- the continued residualization of renters: the renter clientele (mostly social assistance recipients) may be perceived as unattractive for both income mixing purposes and for revenue generation;

- there is a limit to the sustainability of renting to others at full market value, unless there are significant improvements to the local economy;
- there may be disagreements between communities and government over what defines a solution or a successful strategy; communities may see the demolition or removal of social housing units as “abandonment” by the government, but these solutions may be deemed a success from a portfolio management perspective; and
- the unwillingness of a community or local group responsible for a property to recognize the problem of chronic vacancies and the impacts it is having.

It is difficult to develop a comprehensive strategy or set of solutions that might be applied across an entire province. The experience in Saskatchewan (and to a certain extent, in Manitoba) suggests that having good data and establishing a process for examining the nature of the problem on a property-to-property or community-to-community basis is needed. This process should involve all key stakeholders, including communities, property managers and housing providers. This will consist in identifying the root causes and assessing potential solutions. For each potential solution, there will need to be a judicious check for any potential barriers or limitations to employing the solution, given the local circumstances and the type of chronic vacancy problem being addressed.

## Conditions for Success

There are a number of conditions that need to be in place to have successful outcomes:

- Better data and information.
- Situation and solutions vary by province and by property - one size does not fit all.
- Integration of solutions into a “strategy” .
- Local community and market dynamics must be conducive to “helping the solution”.
- Willingness to recognize the problem at local level.
- Provincial cash infusion usually required.
- Local will and provincial will to discuss and be flexible.

## CONCLUSIONS

The chronic vacancy problem is a complex one. More information is required about the magnitude of the problem in each province and its financial impact. As rural communities continue to change and evolve, there will likely be a need to adopt a more concerted approach to the problem. Some solutions, such as moving units or selling units to the private sector, may be unpalatable but necessary over the longer term. The key point, however, is that solutions must be developed with a view to flexibility so that what is attempted in any given community respects the unique local circumstances there, and that the mix of efforts is responsive to those unique conditions.

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### Housing Research at CMHC

Under Part IX of the *National Housing Act*, the Government of Canada provides funds to CMHC to conduct research into the social, economic and technical aspects of housing and related fields, and to undertake the publishing and distribution of the results of this research.

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